

VZCZCXRO4790
RR RUEHMR
DE RUEHLG #0049/01 0181459
ZNY CCCCC ZZH
R 181459Z JAN 06
FM AMEMBASSY LILONGWE
TO RUEHC/SECSTATE WASHDC 2245
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHDS/AMEMBASSY ADDIS ABABA 0947
RUEHLO/AMEMBASSY LONDON 0184
RUEHNR/AMEMBASSY NAIROBI 2457
RUEHFR/AMEMBASSY PARIS 0076
RUEHRO/USMISSION UN ROME 0209
RUCNDT/USMISSION USUN NEW YORK 0523
RUEATRS/DEPT OF TREASURY WASHDC 0419
RUEAIIA/CIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 LILONGWE 000049

SIPDIS

SIPDIS

STATE FOR AF/S GABRIELLE MALLORY
STATE FOR EB/IFD/ODF LINDA SPECHT AND ELAINE JONES
TREASURY FOR INTERNATIONAL AFFAIRS/AFRICA/BEN CUSHMAN
PARIS FOR D'ELIA

E.O. 12958: DECL: 01/18/2016
TAGS: [EAGR](#) [EFIN](#) [EAID](#) [ECON](#) [MI](#)
SUBJECT: SACHS AND SACKS OF FERTILIZER FOR MALAWI

REF: 05 LILONGWE 750

Classified By: Ambassador Alan W. Eastham, for reasons 1.4 b/d

¶1. (U) UN Millennium Advisor Jeffrey Sachs, returning to Malawi last week to organize the founding of three Millennium Villages, used the occasion to press his proposal for massive free farm inputs. As was the case during his last visit (reftel), his proposal was met with a distinct lack of enthusiasm among resident agriculture experts and development partners. This time, however, the GOM appeared to be more receptive--a predictable reaction to a \$1 billion per year proposal for free stuff.

¶2. (U) Sachs came to Malawi to discuss the relationship of Malawi's ongoing economic planning to the millennium development goals. He was accompanied by a sizeable private sector group committed to supporting "millennium villages" in Malawi; three have been identified, one in each of the northern, central, and southern regions of the country. These projects are intended to demonstrate that the Millennium Development Goals are achievable with focused outside support. The plan is to spend roughly \$70/person/year on inputs (two bags of fertilizer and one can of improved seeds for every farmer in Malawi), a free mosquito net for every bedstead, and heavy spending on health and education in the target areas. Sachs maintains that at the end of several years, the healthy, educated populations of these villages will have established agricultural surpluses, diversified into cash crops, and be on the road to prosperity.

¶3. (C) The troubling adjunct to this happy scheme was that Sachs wavered before the revenue-starved GOM officials the prospect of a nationwide donor-funded scheme for a green revolution through massive free farm inputs. (At the advertised Millennium Village demonstration price of \$70/person, this would cost about \$850 million per year.) Reftel outlined some of the obvious objections to this proposal, chief among them being the perversity of incentivizing both the GOM and Malawi's farmers to continue planting maize with someone else's fertilizer and seeds. Doing this at the very moment when the administration of President Bingu wa Mutharika starts serious focus on achieving self-reliance through institutional reform, control of corruption, and building a conducive business environment

seems a particularly bad idea. Even finance minister Goodall Gondwe, who some months ago had privately expressed his personal dislike for Sachs's project, seems to be coming around to the smell of money.

14. (U) Sachs's meetings with GOM officials was not all about his input scheme, however, and he did offer a mixture of useful and pernicious advice on other topics. At a meeting between Sachs, UNDP, and several ministers, Sachs made the following points:

-- Malawi must address population growth as part of its growth and development strategy.

-- GOM must establish quantitative targets to link the national development strategy with the budget process.

-- Sachs applauded the GOM's current fertilizer subsidy program (which, though originally conceived as a limited subsidy, was expanded as a political sop to opposition leader and inveterate free-fertilizer addict John Tembo, mainly to get his grudging cooperation on the 2005/06 budget bill). Malawi should prepare to defend its farm subsidies against criticism from development partners by arguing that even developed countries subsidize their farmers.

-- The large input subsidies should be executed in cooperation with the private sector in a way that minimizes disruption of private marketplaces.

15. (U) In a separate meeting with donors and the U.N. "country team," Sachs repeated the points he made to government, making the case that Malawi is "not viable" as a

LILONGWE 00000049 002 OF 002

country. Markets alone, he said, would not meet the country's needs. He argued that what he called "supply-side subsidies" were much to be preferred over "output" subsidies in the form of subsidized or donated foodstuffs. He said he had told the Malawi government that he thought with his plan Malawi could meet the MDG goals by 2015. He said he thought the Shire-Zambezi transportation corridor proposal had merit and should be examined, and proposed that Malawi meet its basic health needs by training health care workers for a year in treating eight basic health areas. He emphasized the need for population control, lectured the group on the benefits of treated bednets, reported on his visit to the Zomba hospital to illustrate the deficiencies of the Malawi health system, and described the desired outcome of his input scheme as a "green revolution."

16. (U) The Ambassador made several points to Sachs in responding to his presentation. He told Sachs that it is a highly experimental notion to expect that massive food and fertilizer inputs would lead in out-years to a decrease in maize planting and an increase in cultivation of cash crops. There was no individual incentive in his program to encourage this to occur; indeed, the incentive in his proposal was toward continuing the maize trap Malawi inhabits at present. And even if crop diversification did somehow take place, as Sachs seemed to believe was axiomatic (citing the millennium village in western Kenya), no purpose would be served if those crops had to be sold by the smallholders sitting under a tree by the side of the road. Citing USAID's Land-o-Lakes project as a success story, market development was essential, and this was wholly missing from Sachs proposal. More importantly, however, if the government continued to sell imported maize at MK 17 (13 US cents) per kilo, less than the cost of production, there would be no incentive to produce even surplus maize for sale.

17. (U) The Ambassador's second point was that Sachs' proposal did not seem to take into account the reality of Malawian politics, which is largely about subsidies. Citing the budget debate last year about "universal" subsidies, the

Ambassador wondered why donors would wish to subsidize tobacco farmers, who benefit from a well-developed market system that feeds an export market and in which the costs of production, including fertilizer inputs, are included in the price of the commodity. Sachs' reply was "the US subsidizes tobacco!" thereby essentially dismissing the argument. He also argued that the fault of the previous input programs in Malawi (the "starter packs") failed because donors, frightened at the prospect of success which would mean the inputs would have to continue, had terminated their support.

18. (SBU) COMMENT: We are very happy to see the privately-funded "millennium villages" come to Malawi and we expect that the spending Sachs has arranged through private philanthropy will make a significant difference in the lives of those who inhabit them. But we can't help objecting to the perpetuation of the notion that developed countries, who are very, very generous to this country, bear the primary responsibility for lifting Africa out of poverty, that they must do so through massive spending, and that concerns about African institutions and policies are mere nay-saying by flint-hearted ideologues of the free market (which is where we suspect Sachs puts us). That Sachs is peddling this message just as the rest of the development community finally begins to insist on responsible governance is doubly ironic. We have reason to hope that the present administration in Malawi will continue trying to move ahead with its own vision. But the ultimate downside of the UN Advisor's visits is that they may induce the GOM to take its eye off the ball and fall back into the old way of doing business.
EASTHAM